

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 L-03 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 PA-03 USIA-12

PRS-01 RSR-01 /111 W

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1270

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E. O. 11652: N/ A

TAGS: EFIN, EGEN, AR

SUBJECT: US AND OTHER FOREIGN INSURANCE INTERESTS CONTINUE MENACED
BY ARGENTINE REGULATION

REF: BA 1215

SUMMARY. NATIONAL REINSURANCE INSTITUTE (INDER) RESOLUTION
REQUIRING CESSION OF ADDITIONAL 30 PERCENT OF COVERAGE WRITTEN
IN ARGENTINA BY FOREIGN FIRMS STILL STANDS AND IT APPEARS WILL BE-
COME EFFECTIVE APRIL 1. RECONSIDERATION BY INDER DOES NOT APPEAR
PROMISING. OTHER EMBASSIES APPARENTLY UNREADY TO ACT IN
CONCERT IN PROTESTING RESOLUTION. ACTION REQUESTED: THAT
DEPARTMENT INDICATE CONCURRENCE WITH EMBASSY PROPOSAL TO
FORWARD
NOTE OF CONCERN TO GOA. END SUMMARY.

1. FOLLOWING DEVELOPMENTS REPORTED REFTEL, ASSOCIATION OF
FOREIGN INSURANCE FIRMS OPERATING IN ARGENTINA MET WITH
DIRECTOR, NATIONAL REINSURANCE INSTITUTE (INDER) AND VOICED
OPPOSITION TO THE PROPOSED RESOLUTION. BRTTYXUEM ASSOCIATION
REPS ALSO CALLED TO ATTENTION OF DIRECTOR THAT HIS PROPOSED
RESOLUTION ALSO APPEARED TO HAVE WEAK LEGAL BASIS AND, PERHAPS, TO

STAND CONTRARY TO BASIC INSURANCE LAW. DIRECTOR RECEIVED
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ASSOCIATION REPS SMOOTHLY AND AGREED TO HAVE INDER LAWYERS STUDY LEGAL POINT RAISED. IN ADDITION, HE AGREED TO APPOINT REPRESENTATIVES TO JOINT GOA/ INDUSTRY STUDY GROUP TO CONSIDER PROBLEM.

2. DESPITE ABOVE, DIRECTOR OF INDER FORMALLY ISSUED (NOTIFIED FIRMS OF) RESOLUTION #4556/73 ON MARCH 1. FOREIGN INSURANCE ASSOCIATION UNDERSTANDS HE DID SO IN ORDER TO MAKE SURE THAT THE RESOLUTION WOULD BECOME EFFECTIVE, AFTER 30- DAY NOTICE, PERIOD ON APRIL 1 AS ORIGINALLY INTENDED, IF HE DOES NOT CHOOSE TO WITHDRAW IT IN THE INTERIM. MORE RECENTLY, FOREIGN INSURANCE FIRMS ARE LESS SANGUINE CONCERNING REAL INTENTIONS INDER DIRECTOR. TO THEM HE HAS APPEARED TO DRAG HIS FEET IN FACILITATING CONTINUED DISCUSSION OF PROBLEM. GOA INSURANCE INDUSTRY

STUDY GROUP HAS YET TO BEGIN MEETINGS. US INSURANCE INTERESTS CONTINUED TO REQUEST EMBASSY ASSISTANCE DIRECTLY WITH GOA IN ATTEMPT TO FORESTALL OR POSTPONE EFFECTIVENESS RESOLUTION #4556/73.

3. EMBOFFS HAVE PARTICIPATED IN MEETING CALLED AT OUR INITIATIVE WITH ECONOMIC OFFICERS FROM BRITISH, FRENCH, ITALIAN, SPANISH AND SWISS EMBASSIES. THESE OFFICERS REPORTED CONSIDERABLE ALARM ON THE PART OF INSURANCE COMPANIES HOME- BASED IN THEIR COUNTRIES BUT WERE UNCERTAIN CONCERNING ENTHUSIASM IN THEIR CAPITALS FOR EITHER INDIVIDUAL OR JOINT REPRESENTATIONS TO GOA. MOST OF THESE OFFICERS HAVE GIVEN US TO UNDERSTAND THAT THEIR EMBASSIES AWAITING INSTURCTIONS AS TO HOW TO PROCEED VIS- A- VIS GOA.

4. WHILE WE BELIEVE IT WOULD MOST EFFECTIVE IF SEVERAL EMBASSIES WERE TO ACT IN CONCERT IN EXPRESSING CONCERN OVER INDER' S NEW RESOLUTION TO GOA, LOSS OF TIME USED IN COORDINATING ACTION MAY VITIATE EXTRA BENEFIT TO BE EXPECTED FROM JOINT ACTION. ONLY THREE WEEKS REMAIN BEFORE EFFECTIVE DATE OF NEW RESOLUTION.

5. IN THESE CIRCUMSTANCES THIS EMBASSY BELIEVES THAT WE SHOULD ACT TO SUPPORT THE POSITION OF US FIRMS WITHOUT WAITING FURTHER FOR

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INDICATIONS OF HOW EMBASSIES OF EUROPEAN COUNTRIES ARE FINALLY MEETING PROBLEM. WE ANTICIPATE THAT SOME, IF NOT ALL, OF THOSE MENTIONED ABOVE WILL FOLLOW OUR LEAD.

6. EMBASSY IS PREPARING NOTE TO FOREIGN OFFICE WHICH BASED ON ARGUMENTATION PROVIDED STATE A-116 AND POSITION PAPER ON INTERNATIONAL INSURANCE AND REINSURANCE WHICH WAS ENCLOSED WITH THAT AIRGRAM. ADDITIONALLY, WITH DATA SUPPLIED BY US FIRMS FROM OFFICIAL GOA SOURCES WE WOULD POINT OUT THAT ANY CONCERN THAT FOREIGN COMPANIES GREATLY INCREASING THEIR (NOW VERY SMALL) SHARE IN ARGENTINE MARKET IS NOT WELL FOUNDED. THESE DATA SHOW

THAT IN 1968 AND PRIOR YEARS FOREIGN COMPANIES ENJOYED OVER 3 PERCENT OF ARGENTINE MARKET, DROPPED TO 2.7 TO 2.8 PER CENT,

RANLE IN 1969-1971, AND IN FIRST NINE MONTHS 1972 HAD REGAINED A SHARE OF 3.12 PERCENT. OUR NOTE WOULD REQUEST THAT GOA HAVE APPROPRIATE OFFICIALS RECONSIDER ISSUANCE RESOLUTION #4556/73 BECAUSE OF ITS PROBABLE DELETERIOUS EFFECTS UPON COMPETITION AND EFFICIENCY IN THE INSURANCE INDUSTRY AND AS AN ELEMENT LIKELY TO DAMAGE THE INVESTMENT CLIMATE IN ARGENTINA. EMBASSY REQUESTS THAT DEPARTMENT INDICATE APPROVAL ASAP OF EMBASSY PLAN FOR PRESENTATION OF SUCH A NOTE AND PROVIDE ANY SPECIFIC ARGUMENTATION WHICH ITS FEELS SHOULD BE INCLUDED.

DECONTROL

FOLLOWING 3/13/74.

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